

Subject: STATE/COMMERCE MEETINGS ON IRAQ CONTRACTING PROCESS

2. Summary: An interagency team (State/AID/Commerce/DOD) briefed U.S. business and coalition partners on the Iraq reconstruction contract process at separate meetings chaired by the Department of Commerce on April 10 and by the State Department on April 11. At both meetings, the intent was to ensure as open and transparent a process as possible and to make U.S. companies and coalition partners aware of contracting opportunities that USAID and DOD are otherwise publicizing. In addition, the briefers sought to place the process in the overall humanitarian and reconstruction framework, noting that the rebuilding of Iraq would need to be addressed from many different angles and that the small amount of money available from the U.S. bilateral assistance program would need to be supplemented by resources from the international community and a new Iraq government in order to rebuild a country that had been devastated by years of Saddam Hussein's neglect. The points contained in this message may be helpful to posts in responding to requests for information from both U.S. and foreign business. End Summary.

Commerce Briefing, April 10

3. At an April 10 briefing for over 50 U.S. companies and trade associations chaired by DOC Under Secretary for International Trade Administration Grant Aldonas, USAID Deputy Assistant Administrator for Asia and the Near East Jim Kunder noted that contingency planning for the reconstruction effort had been underway for months before the actual onset of war. However, USAID did not want to undercut the diplomatic effort before a decision on military action was made and thus it was not possible to consult with as many people as would have been preferable before getting some contracts in place.

USAID Prime Contractors Determine Subcontractors

4. Tim Beans, USAID's procurement executive, stated that Congress had granted the USAID Administrator authority to limit competition in certain circumstances where the mission of the agency could be affected. However, only one contract (for personnel support) awarded to date had not been competitively let. Contracts would not be awarded unless they were done correctly, with every company bidding on them given a fair chance and evaluation criteria strictly applied. Beans said that USAID had a webpage (www.usaid.gov/iraq) on which it kept information about

Iraq procurements and that it was updated every time a contract was awarded with a point of contact and e-mail address. In addition, he confirmed that for the time being, with the exception of the construction contract, all other contracts let by USAID would be administered out of Washington.

5. Beans also took note of Congress' preference that U.S. dollars go to U.S. firms; however, in this rather unique situation, the USAID Administrator had used his authority to expand subcontracting opportunities to other free world, i.e., non-restricted, countries (those not on the terrorist list). The primary contractors ("primes"), not USAID, would make decisions on how the subcontracts were actually awarded. For the time being, as State Department Assistant Secretary for Economic and Business Affairs Tony Wayne said, the focus is getting basic services and basic infrastructure back to a workable condition through some of these contracts.

Contract Awards To-Date

6. In response to a question about AID procurement rules and reports that the Administrator had "exercised his authority" to devote up to 50 percent of subcontractor awards to non-U.S. entities, Beans said there was no fixed percentage and reiterated that the primes would make the call as to what companies best meet their needs. He also noted that two contracts had been awarded (seaport administration to Stevedoring Services of America and personnel support to the International Resources Group) and he expected five of the six existing Requests for Proposals (airport administration, capital construction, theater logistical support, public health, primary and secondary education, and local governance) to be issued shortly, with another three (agriculture, economic governance and contract monitoring/evaluation) to be drawn up soon. Subsequently, on April 11, two contracts were awarded: one to Creative Associations International Inc. to address immediate educational needs and one to Research Triangle Institute for local governance. Beans noted again that the best way to ensure consideration of companies as subcontractors was by directly contacting the primes.

DOD: Contingency Planning for Oil Infrastructure

7. Barbara Glotfelty, with the energy group of the Office of Reconstruction and Humanitarian Assistance (ORHA) at the Department of Defense, said that DOD, like USAID, had found itself last fall with the rather daunting challenge of

contingency planning in case it should be necessary to secure, repair and provide for the continuity of operations of Iraq's oil infrastructure. She said the Army already had in place a contract with Brown and Root Services (BRS) to provide, among other things, planning support to combatant commanders; the contract, which is re-competed every five years, had been competitively awarded in December 2001. A task order was issued for the classified planning effort under this contract. By the time the initial planning effort was completed, there was an immediate need for some implementing actions to be taken. These included pre-positioning of fire fighting equipment and hiring and training people to staff damage assessment teams that would be ready to deploy on very short notice.

8. The pre-positioning activity and the work required since the beginning of operations have been performed by BRS on a sole source basis, because BRS alone had knowledge of the contingency plans and associated operational plans. The Army is only ordering work needed in the near term under the Indefinite Delivery/Indefinite Quantity contract, which is serving as a bridge to competition. Contracts awarded as a result of a planned full and open competition will replace the sole source contract. Thereafter, work will be ordered under the competitively awarded contracts.

DOD: Registering to Get on Master Bidders List

9. Glotfelty also provided information on how to register on a master bidders list (by calling 1-866-461-5171) and noted that the U.S. Army Corps of Engineers, the executive agent for this DOD mission, would be compiling the master list based on information provided by callers. Callers should allow 7-10 days to receive an acknowledgement that will include how to obtain information about the planned competition.

10. DOC U/S Aldonas noted that the Commerce Department would collect information from the contracting agencies like USAID and DOD and put it up on the portal www.export.gov. In addition, there is a link to USAID's website on www.state.gov.

Briefing at the State Department

11. Many of the same issues were covered in the briefing for coalition partners chaired by Assistant Secretary for Economic and Business Affairs Tony Wayne, especially our desire to be open and transparent about the process, willingness to provide information on a regular basis, and

hope that coalition countries will join with us in a broader effort for reconstruction on the ground in Iraq. Over the long-term, Assistant Secretary Wayne noted, Iraq has significant wealth of its own- both in terms of oil and an educated population - and will make the key decisions as it rebuilds. (See para 15 for listing of coalition partners invited.)

U.S. Bilateral Assistance A Small Percentage of Total Assistance Needed

12. USAID Assistant Administrator for Asia and the Near East Wendy Chamberlin sought to place the value of the U.S. assistance program in some perspective, noting that \$1.5-2.4 billion in reconstruction contracts will be a very small part of the total if the Fox News network estimate of a needed \$600 billion is actually the case. She asked the coalition partners to work with the USG on coordinating reconstruction efforts through the Office of Reconstruction and Humanitarian Assistance (ORHA) in Kuwait where there is, for the time being, an AID mission waiting to go on to Baghdad. Companies should consider contacting the AID mission when it moves to Baghdad.

13. As for whether a security clearance would continue to be a prerequisite for a contract award, USAID's Beans said that he thought -but could not state unequivocally - that the clearance requirement would be dropped. Assistant Administrator Chamberlin said that she did not think subcontractors for AID primes would need one. FYI: this will likely depend on the contract.

A Role for the World Bank?

14. World Bank/IMF and UN involvement was also of interest to coalition members. Tony Wayne noted that the most important early WB/IMF contribution would likely be in the area of needs assessment. (World Bank President Jim Wolfensohn subsequently said that the Bank would be prepared to do such an assessment when the security situation stabilized.) As for the UN, Wendy Chamberlin noted that UN agencies are already very much engaged in the humanitarian assistance/reconstruction process through UNICEF, the WFP, and UNHRC.

15. List of Coalition partner countries invited:
Afghanistan, Albania, Angola, Australia, Azerbaijan,
Bulgaria, Colombia, Costa Rica, Czech Republic, Denmark,
Dominican Republic, El Salvador, Eritrea, Estonia,
Ethiopia, Georgia, Honduras, Hungary, Iceland, Italy,

Japan, Korea, Kuwait, Latvia, Lithuania, Macedonia,
Marshall Islands, Micronesia, Mongolia, Netherlands,
Nicaragua, Palau, Panama, Philippines, Poland, Portugal,
Romania, Rwanda, Singapore, Slovakia, Solomon Islands,
Spain, Tonga, Turkey, UK, Ukraine, Uganda, Uzbekistan.